GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:144
ANSWERED ON:26.02.2008
SETTING UP OF RURAL INDUSTRIES
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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) the details of efforts made by the Union Government to encourage rural industries and establish new industries in the country during the last three years and the results achieved therefrom;

(b) whether any economic assistance, loan and subsidy are being provided by the Union Government and Khadi and Village industries Commission for industrial development of rural areas;

(c) if so, the details indicating the number of beneficiaries thereof;

(d) whether the State Governments have submitted proposals to the Union Government and Khadi and Village Industries Commission to provide strong economic base to rural industries and for the establishment of new industrial units in the State; and

(e) if so, the details thereof and the action being taken thereon State and Union Territory-wise?

Answer

MINISTER FOR MICRO, SMALL AND MEDIUM ENTERPRISES(SHRI MAHABIR PRASAD)

(a) to (c): Efforts made by the Central Government (in its Ministry of Micro, Small and Medium Enterprises) to encourage industries in the rural areas of the country include, implementation of credit-linked subsidy scheme, namely, the Rural Employment Generation Programme (REGP), through the Khadi and Village Industries Commission (KVIC) for assisting the entrepreneurs in establishing village industries in rural areas and small towns with population upto 20,000 by availing of margin money assistance (subsidy) from KVIC and loans from public sector scheduled commercial banks, selected regional rural banks, cooperative banks, etc., for projects with a maximum cost of Rs. 25 lakh. In respect of the general category entrepreneurs, Margin Money @ 25% of the project cost upto Rs. 10 lakh and 10% of the project cost over and above Rs.10 lakh upto Rs. 25 lakh, is provided by KVIC in conjunction with bank credit. However, in case of certain disadvantaged/special categories like Ex-servicemen/Women/SC/ST/OBC etc., enhanced Margin Money @30% of the project cost upto Rs. 10 lakh and 10% of the project cost over and above Rs.10 lakh and upto Rs. 25 lakh, is provided.
The details of the village industry units set up, margin money utilised and estimated additional employment opportunities generated under REGP during the last three years are given below:

Year	Number of projects set up	Employment Generation (number of persons)	Margin money utilised(Rs. lakh)
2004-05	23453	530025	29239.95
2005-06	26650	567676	32095.75
2006-07	26087	595451	34979.35

Besides, for encouraging the setting up of village industry units under the REGP in the rural areas, convergence has been established by KVIC with Ministry of Women and Child Development (MWCD). Financial assistance is also provided under REGP for various backward forward linkages such as Entrepreneurship Development Programme, marketing, organising awareness camps, etc. KVIC has entered into a Memorandum of Understanding (MoU) with the MWCD, for the benefit of women entrepreneurs under REGP. As per MoU, KVIC and MWCD have agreed to work together for generating employment opportunities for rural women, through REGP and also for marketing their products. KVIC has also established convergence with various other organisations such as Army Wives Welfare Association and Nehru Yuva Kendra Sangathan for the benefit of rural entrepreneurs to create awareness among them about REGP scheme and in the creation of market avenues under REGP. Besides, Rural Industries Service Centre (RISC) scheme has been introduced for providing assistance in setting up common facility centres (CFC) to provide infrastructural facility and services in manufacturing, testing / quality control, maintenance, etc.

(d): Applications for setting up village industry units under REGP are not received directly by the Government in the Ministry of Micro, Small and Medium Enterprises. Under the REGP, an eligible entrepreneur can establish a village industry by availing of margin money assistance from the KVIC and loans from any public sector scheduled commercial bank. For this purpose the prospective entrepreneur has to submit a project proposal to the State offices of the KVIC or the district offices of the respective State/ Union Territory Khadi and Village Industries Board (KVIB) or the implementing banks directly. Approval of the project depends on technical

and financial appraisal by the respective banks.

(e): Does not arise.